

Message Text

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PAGE 01 SAN SA 01127 201903Z

47

ACTION ARA-20

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 MC-02

DODE-00 EB-11 NSAE-00 RSC-01 TRSE-00 AEC-11 CIAE-00

COME-00 SEC-03 AID-20 PM-07 H-03 INR-10 L-03 NSC-07

PA-04 PRS-01 SPC-03 SS-20 DRC-01 (ISO) W

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O P 201830Z MAR 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC IMMEDIATE 5025

AMEMBASSY TEGUCIGALPA IMMEDIATE

INFO AMEMBASSY GUATEMALA PRIORITY

AMEMBASSY MANAGUA PRIORITY

AMEMBASSY SAN JOSE PRIORITY

USCINCSO

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E.O. 11652 - N/A

TAGS: BBAK, ETRN, PFOR, HO, ES

SUBJECT: US CUSTOMS SEIZURE OF HELICOPTER PARTS DESTINED FOR
EL SALVADOR (PATTERSON CORPORATION)

REF: A) SAN SALVADOR 1096 (NOTAL); B) PEZZULLO/MOSKOWIT TELCON
MARCH 19; C) SAN SALVADOR 1119 (NOTAL)

1. FOREIGN MINISTER BORGONOVO SOUGHT ME OUT AT A RECEPTION
MARCH 19 AND EXPRESSED HIS CONCERN OVER THE POSSIBLE HARMFUL
EFFECTS THE ANNOUNCEMENT AND INITITAL PRESS TREATMENT OF THE
SEIZURE BY US CUSTOMS OF HELICOPTER PARTS DESTINED FOR EL
SALVADOR COULD HAVE ON COURSE OF SALVADORAN/HONDURAN PACIFI-
CATION. HE FELT THAT SINCE THESE STORIES WERE BASED ON INFOR-
MATION FROM USG SOURCES AND GAVE THE FALSE IMPRESSION THAT
SALVADOR MIGHT BE ENGAGED IN SURREPTITIOUS PROCUREMENT OF
ARMAMENTS, IT WOULD BE FITTING FOR US TO SET MATTER IN CORRECT
PERSPECTIVE FOR GOH. UNLESS DEPARTMENT OBJECTS, I BELIEVE
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PAGE 02 SAN SA 01127 201903Z

IT WOULD BE CONSONANT WITH US INTEREST IN FURTHERING SETTLE-

MENT OF EL SALVADOR-HONDURAS DISPUTE AND APPROPRIATE INSOFAR AS OUR ROLE, FOR EMBASSY TEGUCIGALPA TO BRIEF GOH OF ESSENTIALS OF THIS INCIDENT SO AS TO CLARIFY THAT IT DID NOT ENTAIL GOES MILITARY PROCUREMENT, SO FAR AS WE ARE AWARE. EMBASSY TEGUCIGALPA MAY FIND TEXTS OF GOES ECON AND DEFENSE MINISTERS' STATEMENTS, WHICH ARE STRAIGHT FORWARD ACCOUNTS, USEFUL IN THIS REGARD. A SUMMARY OF THESE RELEASES FOLLOWS; COMPLETE TEXTS IN SPANISH REPORTED IN SEPTEL.

2. MARCH 19 AND 20 SALVADORAN NEWSPAPER HEADLINED WIRE SERVICE STORIES OF THE SEIZURE BY US CUSTOMS AT LONG BEACH, CALIFORNIA OF A SHIPMENT OF USED MILITARY HELICOPTER PARTS DESTINED FOR THE SALVADORAN PORT OF ACAJUTLA. THE FIRST REPORT DID NOT MENTION THE FIRM OR PERSONS INVOLVED IN THE ATTEMPTED SHIPMENT, BUT A SUBSEQUENT UPI STORY (LOS ANGELES, MARCH 19) CORRECTLY IDENTIFIED THE PATTERSON CORP. AND ITS HEAD, LARRY CARR, OF ATLANTA. QUOTING A DEPARTMENT OF JUSTICE SOURCE, THE PARTS ARE DESCRIBED AS "REMNANTS OF THE KOREAN WAR" WHICH WERE SEIZED BECAUSE THEY LACKED A MUNITIONS CONTROL EXPORT LICENSE FROM THE DEPARTMENT OF STATE. THE UPI, QUOTING A FEDERAL OFFICIAL, SAYS THAT ALTHOUGH THE PARTS CARRY AN ASSESSED VALUE OF \$22 MILLION THEY APPEARED TO HIM A "HEAP OF OBSOLETE RUSTED SCRAP FROM THE KOREAN WAR THAT COULD NOT BE WORTH MORE THAN \$1 MILLION, IF THAT MUCH."

3. AFTERNOON PRESS OF MARCH 19 AND MORNING PRESS MARCH 20 CARRY GOES MINISTRIES OF ECONOMY AND DEFENSE STATEMENTS INTENDED TO REFUTE MEDIA IMPLICATION THAT SEIZED MATERIAL REPRESENTS GOES MILITARY PROCUREMENT. THE STATEMENTS POINT TO THE CONFUSION IN THE ORIGINAL AP WIRE WHICH COULD EASILY CAUSE READER TO INFER THAT SALVADOR IS INVOLVED IN SOME TYPE OF ARMS PROCUREMENT OR ILLICIT TRAFFIC. INSTEAD, THE PRESUME MATERIAL TO BE THAT WHICH IS DESINTED FOR A PROPOSED ASSEMBLY PLANT FOR COMMERCIAL HELICOPTERS. MINECON DETAILS THE PROPOSED INVESTMENT BY LARRY CARR THROUGH "COMPANIA AEROESPACIAL DE CENTRO AMERICA, S.A." WHICH WOULD INVOLVE THE EXPORT FROM THE US OF PARTS FOR NON-MILITARY COMMERCIAL HELICOPTERS. IT STATES IT HAS STUDIED THE PROPOSAL, WHICH OFFERS THE POSSIBILITY OF A NEW NET EXPORT INDUSTRY. THE MOD CATEGORICALLY DENIES ANY AP IMPLICATIONS THAT THE SHIPMENT INVOLVES MILITARY PROCUREMENT AND TERMS IT A "LAMENTABLE CONFUSION". IN THE NAME OF THE GOES IT LIMITED OFFICIAL USE

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PAGE 03 SAN SA 01127 201903Z

REITERATES THAT EL SALVADOR IS NOT INTERESTED IN THE ACQUISITION OF ILLEGAL ARMS AND, CONCERNING REPLACEMENT (RENOVATION) OF MILITARY EQUIPMENT, THAT ALL MILITARY EQUIPMENT REPLACEMENTS ARE ORDERED THROUGH OPEN CHANNELS AND NOT SECRETLY.

4. THE FOLLOWING MAY BE USEFUL TO CA POSTS QUERIED ON THE MATTER. ALL PRESENTATIONS BY PATTERSON CORP. HERE HAVE BEEN WITH A VIEW TO ASSEMBLY COMMERCIAL HELICOPTERS AND AIRCRAFT. THE CAUTION AND

PROCEDURES WHICH GOES AGENCIES (MINISTRY OF ECONOMY AND INSAFI, THE INDUSTRIAL DEVELOPMENT BANK) HAVE OBSERVED IN CONSIDERING THE PROJECT ARE INKEEPING WITH AN INDUSTRIAL INVESTMENT, NOT MILITARY PROCUREMENTS. SINCE SAN SALVADOR'S 3667 OF SEPTEMBER 1973, SENT TO ALL ADDRESSEES, THE PROJECT HAS DEVELOPED TO THE POINT WHERE INSAFI, AFTER EVALUATING THE FEASIBILITY AND MARKET STUDIES, DECLARED CENTRAL AMERICAN AEROSPACE ELIGIBLE FOR FINANCING AFTER THE PARTS HAD ARRIVED IN COUNTRY AND CARR AND LOCAL ASSOCIATES HAD COMPLETED MOST OF THE WORK WITH THE MINISTRY OF ECONOMY FOR THE GRANTING OF FISCAL INCENTIVES. SIGNIFICANT PROBLEMS RELATING TO PATTERSON CORP'S TRANSFER IN OCTOBER 1973 TO A GROUP REPRESENTED BY LARRY CARR PERSIST AND AN SEC INVESTIGATION OF THE FIRM'S BONA FIDES CONTINUES; THE GOES HAS BEEN INFORMED CONTINUOUSLY CONCERNING USG CONCERNS.

5. USIS HAS BEEPERED GOES RELEASES FOR USE BY VOA (SEE REFTTEL C) SUGGEST ANY VOA TREATMENT OF ISSUE AVOID COPY WHICH SUGGESTS THAT THIS MATTER INVOLVES ARMS PROCUREMENT BY EL SALVADOR. MOSKOWITZ

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